

Message Text

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PAGE 01 ROME 04683 132148Z
ACTION EB-08

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FM AMEMBASSY ROME
TO SECSTATE WASHDC 1274
INFO AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY PARIS

C O N F I D E N T I A L ROME 4683

USEEC
USMTN ALSO FOR MISSION
USOECD

E.O. 11652: GDS
TAGS: ETRD, NTN, IT
SUBJECT: ITALY AND THE SUBSIDY/COUNTERVAILING DUTY MATRIX

REF: (A) GENEVA 3083; (B) ROME 3866; (C) ROME 3915

1. THIS EMBASSY HAS BEEN FOLLOWING WITH INCREASING
INTEREST DEVELOPMENTS IN THE MTN IN REGARD TO THE SUBSIDIES/
COUNTERVAILING DUTY ISSUES. WE HAVE BEEN HEARTENED TO
LEARN THAT AT THE RECENT EC/US REVIEW OF PROGRESS IN THE
MTN (REF A) THE SUBJECT OF DOMESTIC SUBSIDIES HAS BEEN
OPENED FOR CONSIDERATION IN TERMS OF DEVELOPING APPROPRIATE
GUIDELINES AND THAT A QUICK SUCCESSION OF WORKING SESSIONS
ON THIS SUBJECT IN WASHINGTON AND GENEVA IS NOW ANTICIPATED.

2. BECAUSE OF CURRENT U.S. CASES AGAINST ITALIAN FIRMS--
CONFIDENTIAL

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PAGE 02 ROME 04683 132148Z

ESPECIALLY THE ARMCO COUNTERVAILING DUTY CASE AGAINST
TERNI--AND RECENTLY PASSED OR PENDING ITALIAN LEGISLATION
(REFS B AND C) THAT WOULD ASSIST ITALIAN FIRMS IN
FINANCIAL DIFFICULTIES, THE EMBASSY IS GREATLY CONCERNED ABOUT
THE POTENTIAL FOR A VAST INCREASE IN COUNTERVAILING
DUTY CASES AGAINST ITALIAN FIRMS WITH A CONSEQUENT
WORSENING IN OUR BILATERAL RELATIONS. WHILE WE IN

ROME ARE ESPECIALLY CONCERNED ABOUT THE POTENTIAL FOR HARM TO U.S.-ITALIAN RELATIONS, WE KNOW THAT A CERTAIN POTENTIAL FOR COUNTERVAILING DUTY DIFFICULTIES EXISTS WITH A NUMBER OF OUR OTHER IMPORTANT TRADING PARTNERS (ON THE BASIS OF U.S. STEEL/VAT CASE IF NO OTHER). ALTHOUGH THE POTENTIAL FOR TROUBLE MAY BE GREATER IN ITALY THAN IN SOME OF THE OTHER COUNTRIES DUE TO ITALY'S GREATER TENDENCY TO SAVE FIRMS FROM SERIOUS FINANCIAL DIFFICULTIES BY BRINGING THE APPARATUS OF THE STATE ENTERPRISE AND GOVERNMENT SECTORS TO THEIR AID, WE SEE LITTLE CHANCE FOR REDUCING THE DANGER ON A BILATERAL BASIS.

3. ITALY IS SUFFERING FROM THE SAME CYCLICAL RECESSION AND ADVERSE LONGER TERM TRENDS, ESPECIALLY IN THE STEEL, TEXTILE AND CHEMICAL SECTORS, THAT OTHER MAJOR TRADING NATIONS ARE FACING AND MUST ALSO DEAL WITH AN EXCEPTIONALLY HEAVY DEPENDENCE ON IMPORTED ENERGY WHILE AT THE SAME TIME COPING WITH EXTREMELY HEAVY SOCIAL, ESPECIALLY WAGE, PRESSURES IN THE CONTEXT OF A FRAGILE POLITICAL BALANCE. FOR ALL THESE REASONS ITALY IS UNDER GREAT PRESSURE TO FIND WAYS TO PREVENT JOB CURTAILMENT AND LOSS.

4. THEREFORE, WE BELIEVE THAT THE BEST PROSPECTS FOR AVOIDING OR AT LEAST REDUCING THE POTENTIAL FOR COUNTERVAILING DUTY CASES IS TO SEEK UNDERSTANDINGS ON SUBSIDIES AND COUNTERVAILING DUTIES ON A MULTILATERAL BASES, AS WE ARE NOW
CONFIDENTIAL

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PAGE 03 ROME 04683 132148Z

DOING IN THE MTN. POSSIBLY THE OECD WITH ITS NEW STUDY OF STRUCTURAL ADJUSTMENTS ISSUES (INCLUDING THE HARMFUL EFFECTS OF GOVERNMENT INTERVENTION IN THE ECONOMY AIMED AT PROPPING UP SPECIFIC INDUSTRIES, REGIONS AND LABOR MARKETS) MIGHT BE A USEFUL SECONDARY FORUM AT AN APPROPRIATE TIME. DESPITE THE RECENT PROGRESS AT THE MTN, WE FEAR THAT WHAT AGREEMENT IS NOW IN PROSPECT MAY BE INSUFFICIENT TO MEET THE POTENTIAL PROBLEMS WE SEE FOR OUR TRADE RELATIONS WITH ITALY.

5. ACCORDINGLY WE SUGGEST THREE THINGS:
FIRST, THAT CONSIDERATION BE GIVEN TO ASSIGNING AN EVEN HIGHER PRIORITY TO WORKING OUT A THOROUGH AND EFFECTIVE SUBSIDY/COUNTERVAILING DUTY CODE; SECOND, THAT WASHINGTON AGENCIES AND USMTN PROVIDE US WITH DRAFTS UNDER DISCUSSION, POSITION PAPERS AND OTHER RELEVANT MATERIAL TO PERMIT US TO MORE EFFECTIVELY CONTRIBUTE TO SOLUTIONS TO EXISTING AND PROSPECTIVE PROBLEMS; AND THIRD, THAT CONSIDERATION BE GIVEN TO USE AT THE APPROPRIATE TIME OF WAIVER POWERS UNDER THE TRADE ACT IN THE ARMCO/TERNI CASE.
GARDNER

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NNN

Message Attributes

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